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Altimo has doubts on western alliances

Russian group looks to emerging markets

Legal disputes may deter investors

By Andrew Parker in London

Russia's Alfa group looks increasingly unlikely to form an alliance with a western telecoms company after the conglomerate expressed doubts about the merits of such a move.

Altimo, Alfa's telecoms investment business, has been seeking an alliance with a western telecoms operator since its creation in 2005. It has suggested it might exchange its assets for a minority stake in a western operator.

However, Altimo said it might not now make sense for it to conclude a tie-up

with a western company, although it did not rule one out.

Altimo signalled it did not expect a rapid resolution of its dispute with Telenor, the Nordic telecoms company, over Kyivstar, Ukraine's largest mobile operator, which they jointly own.

Alexey Reznikovich, Altimo's chief executive, said the company's investments in emerging markets were worth more than \$30bn, compared with \$7bn-\$8bn two to three years ago.

He said this increase in value was one factor behind Altimo's reappraisal of linking with a western operator. "Many western companies are based only in western markets, where there is little growth," he added.

"And therefore we have certain doubts whether we need to convert our growth into their stagnation."



Alexey Reznikovich, Altimo chief executive, is sceptical whether the telecoms group needs to 'convert our growth into their stagnation'

Alfa is controlled by oligarch Mikhail Fridman, and Mr Reznikovich said Altimo was committed to its Russian investments.

Altimo is focusing future investments on emerging markets in Asia. For example, it is hoping to participate in the privatisation of Vietnam's mobile operators.

Mr Reznikovich said Altimo was not interested in buying the Swedish government's 37 per cent stake in TeliaSonera, the leading Nordic telecoms company. The government is looking to sell its shareholding.

TeliaSonera and Altimo both have minority stakes in MegaFon, Russia's third-largest mobile operator, and Turkcell, Turkey's leading wireless business.

Mr Reznikovich acknowledged that no western telecoms company had shown itself willing to tie up with MegaFon, which both claimed to own.

However, Mr Reznikovich played down the possibility the MegaFon settlement could be followed quickly by resolution of Altimo's differences with Telenor over corporate governance at Kyiv-

star, which does not have a functioning board because of the dispute.

In August a New York arbitration tribunal, convened at Telenor's request, ruled that Alfa should sell shareholdings above 5 per cent that it held in Kyiv-

star's rivals. It added Altimo's subsidiary should "take such steps as are necessary to [ensure] that its nominated candidates are elected" to Kyivstar's board. Storm holds Altimo's Kyivstar stake. The tribunal's ruling was endorsed by a New

York court in November.

But Mr Reznikovich said Storm would probably not consider attending Kyiv-

star's shareholder meeting until an appeal against the court's judgment was con-

cluded. Jan Thygesen, head of Telenor's central and eastern European operations, highlighted how the tribunal found the 2004 shareholder agreement between Telenor and Altimo to be valid.

Mr Thygesen said Telenor stood by the agreement, and would seek to enforce it, terms through the courts.

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By Andrew Parker in London
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This may be partly to do with how Altimo owns minority rather than majority stakes in mobile operators. It may also be connected with Altimo's record of legal disputes with rival shareholders.

As well as Kyivstar, Altimo's owns 44 per cent of VimpelCom, Russia's second largest mobile operator and 25 per cent of MegaFon.

In November, Altimo prevailed in a four-year legal dispute with Ipoc, a Bermuda investment fund, over the 25 per cent stake in MegaFon, which both claimed to own.

However, Mr Reznikovich played down the possibility the MegaFon settlement could be followed quickly by resolution of Altimio's differences with Telenor over corporate governance at Kyiv-star, which does not have a functioning board because of the dispute.

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